

Message Text

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INFO OCT-01 CCO-00 SSO-00 ISO-00 NSC-05 NSCE-00 /021 R

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APPROVED BY: S/S-O: P. SHANKLE

DESIRED DISTRIBUTION: NSC/E, S/S

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O 151328Z FEB 75 ZFF4

FM SECSTATE WASHDC

TO USDEL RIYADH IMMEDIATE

INFO AMEMBASSY BONN IMMEDIATE

C O N F I D E N T I A L STATE 035699

TOSEC 335

FOLL REPEAT PARIS 4100 ACTION SECSTATE INFO BONN LONDON OTTAWA

TOKYO EC BRUSSELS 14 FEB 75 QUOTE

C O N F I D E N T I A L OECD PARIS 04100

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA: FOLLOW-UP ON CONSORTIUM PROPOSALS

REF: OECD PARIS 3726 (NOTAL)

1. SUMMARY. DELEGATIONS OF MAJOR IEA COUNTRIES HAVE PUT QUESTIONS ON PARTICIPATION, MANAGEMENT AND OTHER ASPECTS OF US ENERGY DEVELOPMENT CONSORTIUM PROPOSALS. CANADIANS HAD PROBLEMS WITH NATIONAL TREATMENT PRINCIPLE AND TIMING OF DECISIONS. JAPANESE WERE MOST NEGATIVE, ASKING FOR DETAILS ON CONTENT AND BENEFITS TO JAPAN. MISSION HAS EMPHASIZED WILLINGNESS TO DISCUSS THESE AND ANY OTHER PROPOSALS AND EXPRESSED EXPECTATION THAT FURTHER DETAILS OF US THINKING WILL BE AVAILABLE AT MEETINGS HERE NEXT WEEK. END SUMMARY.

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2. FOLLOWING ARE COMMENTS AND QUESTIONS PUT BY OTHER

DELEGATIONS (FRG, UK, JAPAN, AND CANADA) IN CONTACTS WE HAVE HAD ON PROPOSALS FOR CONSORTIA ON SYNTHETIC FUELS AND ENERGY R AND D (REFTEL PARA 7):

(A) ALL DELEGATIONS ASKED WHAT US ATTITUDE WOULD BE TOWARD PARTICIPATION OF NON-IEA COUNTRIES IN OVERALL CONSORTIA AND IN SPECIFIC CONSORTIA THAT WOULD BE ESTABLISHED UNDER THEM. PRINCIPAL INTEREST WAS IN FRANCE, WITH REFERENCE TO CONTRIBUTION THAT FRANCE (OR OTHERS) COULD MAKE IN SEVERAL OF THE FIELDS ENVISAGED. CANADIANS EXTENDED QUESTION TO OTHER COUNTRIES, INCLUDING NON-OECD COUNTRIES, AND SUGGESTED COMPLETE EXCLUSION MIGHT BE VERY DIFFICULT IN AREAS OF HEAVY INDUSTRIAL INVOLVEMENT. (WE HAVE ANSWERED THAT PROPOSAL WAS DESIGNED TO MEET ESSENTIAL ELEMENT OF IEA PROGRAM AND OUR UNDERSTANDING WAS THAT IT WOULD AT LEAST IN FIRST INSTANCE BE LIMITED TO IEA MEMBERS.)

(B) ALL WERE INTERESTED IN RIGHTS AND OBLIGATIONS OF PARTICIPANTS IN SPECIFIC CONSORTIA. SOME FOUND IT DIFFICULT TO RECONCILE "UNITARY MANAGEMENT" PRINCIPLE WITH THEIR NEED TO HAVE SOME INFLUENCE OVER A PARTICULAR PROJECT, AND THEY (ESPECIALLY UK) WERE CONCERNED WITH THEIR FREEDOM OF ACTION TO WITHDRAW IF, FOR INSTANCE, COST ESTIMATES CHANGED DRAMATICALLY. GERMANS WERE MUCH INTERESTED IN OWNERSHIP OF PATENTS AND LICENSING RIGHTS THAT MIGHT RESULT FROM CONSORTIUM PROJECTS. (WE EXPRESSED OUR UNDERSTANDING THAT, WHILE THE OVERALL CONSORTIUM AGREEMENT IN EACH CASE WOULD ESTABLISH A SET OF PRINCIPLES, THEIR APPLICATION IN CONTRACT RELATIONSHIPS OF EACH SPECIFIC CONSORTIUM WOULD BE MATTER OF NEGOTIATION BETWEEN THE GOVERNMENT WHOSE NATIONAL PROGRAM WAS INVOLVED AND POTENTIAL PARTICIPANTS FROM OTHER COUNTRIES, AND THAT SUCH NEGOTIATION WOULD INCLUDE PARTICIPATION, CONTRIBUTIONS AND DISTRIBUTION OF BENEFITS INCLUDING PATENTS AND LICENSING RIGHTS.)

(C) DELEGATIONS ASKED HOW R AND D CONSORTIUM PROPOSAL WOULD RELATE TO NINE CURRENT IEA R AND D PROJECTS AND PROPOSAL THAT IEA FOCUS IMMEDIATE ATTENTION ON ABOUT CONFIDENTIAL

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TWO IMPORTANT R AND D AREAS.

(D) GERMAN AND JAPANESE DELEGATIONS QUESTIONED WHETHER PROPOSALS WOULD CONFLICT WITH MFN OBLIGATIONS. (WE SAID WE THOUGHT NOT, SINCE BENEFITS WOULD BE RECEIVED IN RETURN FOR CONTRIBUTIONS MADE ON CONTRACTUAL

BASIS.)

(E) CANADIANS HAD TWO UNIQUE REACTIONS: (1) THEY
WERE CONFIDENT THAT OTTAWA WOULD OBJECT TO PHRASE
"NATIONAL TREATMENT," SINCE CANADIANS ARE NOT PREPARED
TO ACCEPT NATIONAL TREATMENT PRINCIPLE WITH RESPECT TO
FOREIGN INVESTMENT, AND (2) THEY THOUGHT CANADA WOULD
NOT BE ABLE TO TAKE DECISION ON CONSORTIUM PROPOSALS
BEFORE EARLY APRIL CONFERENCE BETWEEN FEDERAL GOVERNMENTM

AND OIL-PRODUCING PROVINCES. (WE SAID WE UNDERSTOOD US
FELT AGREEMENT IN PRINCIPLE ON A POLICY WAS REQUIRED
PRIOR TO PREPARATORY MEETING WITH PRODUCERS, BUT DETAILS
WOULD HAVE TO BE AGREED UPON LATER.)

(F) JAPANESE WERE MOST NEGATIVE AMONG DELEGATIONS
WE CONTACTED. THEY ARE NOT CONVINCED THAT US PROPOSALS
WOULD PROVIDE BENEFITS FOR RESOURCE-POOR COUNTRY LIKE
JAPAN, AND THEY THOUGHT GOJ WOULD WANT MORE DETAILS ON
NATURE OF SPECIFIC CONSORTIA BEFORE AGREEING TO CONCEPT.
JAPAN WOULD ALSO WANT ASSURANCES THAT PROJECTS AND PRO-
GRAMS WOULD TAKE PLACE IN JAPAN AS WELL AS ELSEWHERE
AND THAT JAPAN WOULD HAVE GUARANTEED ACCESS TO ENERGY
SUPPLIES. NOTING JAPANESE OPPOSITION TO FLOOR PRICE
PROPOSAL, THEY SAID JAPAN MIGHT INVEST IN "ECONOMIC"
(FIRST-TIER) PROJECTS IN OTHER IEA COUNTRIES. (WE
SUGGESTED AGREEMENT TO CONCEPT WOULD NOT COMMIT JAPAN
TO SPECIFIC PROJECTS AND THAT PARTICIPATION IN SPECIFIC
CONSORTIA WOULD DEPEND ON JAPANESE EVALUATION OF COSTS
AND BENEFITS IN EACH CASE. WE SAID WE THOUGHT USDEL TO
MEETINGS NEXT WEEK WOULD BE PREPARED TO SUPPLY MORE
DETAILS OF US PROPOSALS INCLUDING NATURE OF SPECIFIC
CONSORTIA THAT MIGHT BE ESTABLISHED.)

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEMBERSHIP, POLICIES, TOSEC 335, CONSORTIUMS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE035699
Document Source: CORE
Document Unique ID: 00
Drafter: O: P. SHANKLE
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750056-0066
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750238/aaaabhyhs.tel
Line Count: 157
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: OECD PARIS 3726 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2003 by ShawDG>; APPROVED <22 SEP 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IEA: FOLLOW-UP ON CONSORTIUM PROPOSALS
TAGS: ENRG, OECD
To: RIYADH
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006